agf management limited

Annual Report 1968

Mutual Funds managed by

agf management limited

- AMERICAN GROWTH FUND LIMITED
- AGF SPECIAL FUND LIMITED
- GROWTH EQUITY FUND LIMITED
- CANADIAN TRUSTEED INCOME FUND

DIRECTORS:

W. A. MANFORD

C. W. GOLDRING

G. B. SUTHERLAND

A. W. HOWE

R. H. JONES

D. J. WILKINS

OFFICERS:

President
W. A. MANFORD

Executive Vice-President
C. W. GOLDRING

Senior Vice-President
G. B. SUTHERLAND

Vice-President
L. E. EMERSON

Vice-President
K. J. GRAY

Vice-President
A. W. HOWE

Secretary-Treasurer
W. R. McKEOWN

Assistant Secretary-Treasurer
B. S. MacGOWAN

HEAD OFFICE:

50th Floor
Toronto Dominion Bank Tower
Toronto, Ontario

AUDITORS:

Price Waterhouse & Co.

REGISTRAR & TRANSFER AGENT:

Guaranty Trust Company of Canada

agf management limited
AND ITS SUBSIDIARIES

1968 was another year of substantial growth for A.G.F. Management Limited. This growth can be attributed to four specific areas of your Company. First and foremost was the achievement of record sales of our Funds by investment dealers and brokers across the country and by our own 425-man direct sales force. The achievement of both groups reflected not only the introduction of the new AGF SPECIAL FUND, which was eagerly received, but also the continued strong demand for our established group of Funds. In addition, large shorter term investors were quite active in shares of our Funds this past year. With favourable markets and excellent sales, the investment management portion of our revenue also increased substantially in 1968.

As a result of these trends, assets under administration rose from $258,718,116 on December 31, 1967 to $381,407,129 on December 31, 1968—an increase of over $120,000,000. Net profits advanced from $794,724, or $1.31 per Class B and common share in 1967 to $1,589,206 or $2.57 per share for 1968. Dividends received by Shareholders rose from 93 cents to $1.65 per share.

A highlight of the year was our formation of AGF SPECIAL FUND and the distribution of $60,000,000 of its shares through more than ninety investment dealers and stock brokers across Canada plus our own sales force. This, we believe, was the third largest equity financing in Canadian history, which bears witness to the stature of our Company in the Canadian financial community and among Canadian investors.

While the volume of sales is unpredictable, as it is based to some extent on the gyrations of the stock market, we look forward to another fine year in 1969. For one thing, as mentioned earlier, we start the year with an increase of more than $120 million in assets under our management. For another, the operations of our wholly owned subsidiary, AGF Securities, Inc., member of the U.S. Pacific Coast Stock Exchange, are progressing favourably and we anticipate continuing growth of our business there with investment dealers, stock brokers and financial institutions throughout Canada and the United States. It is very interesting to note that because of the transaction of brokerage business for our Funds on this Exchange, we were able to reduce the management fee of American Growth Fund by $133,000 last year. Thus not only the Management Company but also the Funds' shareholders benefit through our membership on this Exchange.

Therefore, we anticipate another year of progress, the extent of which will be partially dependent on the trend of the stock markets which, to date this year, has not been too favourable.

Submitted on behalf of the board of directors.

Toronto, Ontario — W. A. MANFORD
March 3, 1969 — President

agf management limited
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year ended November 30 1968	1967
Revenue:		
Commissions	$7,061,059	$3,448,055
Management fees	1,325,354	1,029,678
Administration fees and other revenue	412,139	309,856
	8,798,552	4,787,589
Expenses:		
Commissions	3,390,263	2,014,638
Selling, general and administrative	1,689,716	1,034,790
Legal and audit	126,290	61,086
Depreciation and amortization	41,114	21,250
	5,247,383	3,131,764
Net income before income taxes and interest of minority shareholders	3,551,169	1,655,825
Provision for income taxes:		
Current	1,957,499	884,500
Deferred	(32,000)	(33,000)
	1,925,499	851,500
	1,625,670	804,325
Interest of minority shareholders in earnings of subsidiaries	36,464	9,585
Net income for the year	$1,589,206	$ 794,740
EARNINGS PER SHARE	$2.57	$1.31

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended November 30 1968	1967
Retained earnings at beginning of year	$ 784,805	$ 607,796
Net income for the year	1,589,206	794,740
	2,374,011	1,402,536
Deduct:		
Dividends paid—85¢ per share (1967—53¢ per share)	526,058	320,636
Income taxes paid on creation of tax-paid undistributed income of $227,183 under Section 105(2) of the Income Tax Act (1967—$252,063) (Note 2)	40,091	44,482
Dividend of 605,026 Class A preference shares (40¢ par value) paid out of tax-paid undistributed income (1967—593,089 Class A preference shares) (Note 2)	242,010	237,235
Payment of security transfer tax of a prior year less applicable income taxes of $16,500	—	15,378
	808,159	617,731
Retained earnings at end of year	$1,565,852	$ 784,805

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CONSOLIDATED

ASSETS

	November 30 1968	November 30 1967
CURRENT ASSETS:		
Cash and bank deposit receipts..	$ 6,288,923	$1,997,260
Receivable from clients and brokers for sales of mutual fund shares..................	18,402,065	2,733,342
Receivable from mutual funds for redemptions of shares........	206,015	251,528
Receivable from brokers for securities to be delivered.........	736,243	—
Receivable from customers for securities transactions........	1,299,619	—
Other accounts receivable.......	440,038	184,601
Investment in marketable securities, at cost (market value—$38,341)..................	36,073	—
Prepaid expenses.............	51,090	83,280
	27,460,066	5,250,011
OFFICE FURNISHINGS AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost less accumulated depreciation and amortization of $98,996 (1967—$70,196)....................	181,875	86,956
OTHER ASSETS, at cost..........	150,404	112,679
EXCESS OF COST OF SHARES OF SUBSIDIARY COMPANY OVER BOOK VALUE AT DATES OF ACQUISITION.............	138,082	—
	$27,930,427	$5,449,646

Approved on Behalf of the Board:

W. A. MANFORD, Director

G. W. GOLDRING, Director

AUDITC

To the Shareholders of A.G.F. Management Limited:

We have examined the consolidated balance sheet of A.G.F. Mana
consolidated statements of income, retained earnings and source
included a general review of the accounting procedures and such t
ered necessary in the circumstances.

In our opinion these consolidated financial statements present fai
and the results of their operations and the source and application
accepted accounting principles applied on a basis consistent with t

Toronto, Ontario
February 7, 1969.

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ALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	November 30 1968	1967
CURRENT LIABILITIES:		
Amounts payable to mutual funds for purchase of shares.......	$20,330,088	$3,474,918
Amounts payable to brokers for securities to be received......	1,544,037	—
Amounts payable to customers for securities transactions........	139,197	—
Accounts payable and accrued liabilities..................	2,490,752	372,337
Income taxes payable..........	1,183,925	346,306
	25,687,999	4,193,561
DEFERRED INCOME TAXES......	56,000	88,000
INTEREST OF MINORITY SHAREHOLDERS IN NET ASSETS OF SUBSIDIARIES....	22,385	5,956
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 2 and 5)—		
Authorized—		
900,000 Class B non-voting participating preference shares without par value		
80,000 common shares without par value		
Issued and outstanding—		
618,091 Class B shares (13,865 shares were issued for cash during the 1968 year)..................	598,151	377,284
800 common shares........	40	40
	598,191	377,324
Retained earnings per statement attached....................	1,565,852	784,805
	2,164,043	1,162,129
	$27,930,427	$5,449,646

REPORT

t Limited and its subsidiaries as at November 30, 1968 and the
pplication of funds for the year then ended. Our examination
f accounting records and other supporting evidence as we consid-

e financial position of the companies as at November 30, 1968
r funds for the year then ended, in accordance with generally
the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants.

agf management limited
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended November 30 1968	Year ended November 30 1967
Funds provided:		
From operations—		
Net income for the year	$1,589,206	$ 794,740
Add depreciation and amortization expense not requiring a current outlay of funds	41,114	21,250
Deduct gains on disposal of office furnishings and equipment and leasehold improvements included in proceeds	(7,394)	—
	1,622,926	815,990
Issue of Class B shares	220,867	41,780
Reduction in other assets	—	48,573
Proceeds on disposal of office furnishings and equipment and leasehold improvements	26,956	—
Increase in interest of minority shareholders in net assets of subsidiaries	16,429	12
	1,887,178	906,355
Funds applied:		
Purchase of office furnishings and equipment and leasehold improvements	155,595	59,001
Taxes paid under Section 105(2) of the Income Tax Act (Canada)	40,091	44,482
Dividends—		
Cash	526,058	320,636
Class A shares subsequently redeemed for cash	242,010	237,235
Reduction in deferred income taxes	32,000	33,000
Assessment under the Security Transfer Tax Act applicable to a prior year and charged to earned surplus account	—	15,378
Increase in other assets	37,725	—
Excess of cost of shares of subsidiary over book value at dates of acquisition	138,082	—
	1,171,561	709,732
	$ 715,617	$ 196,623

agf management limited
AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1968

1. BASIS OF CONSOLIDATION:

The financial statements consolidate the accounts of the company and the following two partly owned subsidiaries: AGF Securities, Inc., a member of the Pacific Coast Stock Exchange, and G.E.F. Management Limited, the manager of Growth Equity Fund Limited.

2. STOCK DIVIDEND:

By supplementary letters patent dated December 27, 1967 the authorized capital of the company was increased by the creation of 605,026 3% non-cumulative redeemable non-voting Class A preference shares with a par value of 40 cents each.

On December 19, 1967 the company elected to create $227,183 of tax-paid undistributed income by paying tax on $267,274 of retained earnings as permitted under the Income Tax Act (Canada). Out of the tax-paid undistributed income thus created there was declared on December 27, 1967 a stock dividend of the 605,026 Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of one such Class A share for each Class B and common share held.

On December 29, 1967 the company redeemed at their par value all of the Class A shares outstanding at that date resulting in a payment of $242,010.

3. LONG TERM LEASES:

The company, jointly with an affiliated company, has leased premises at an annual rental of approximately $195,000 for a period which terminates January 31, 1988. Other long term leases for varying periods of over two years require annual rental payments of approximately $24,862.

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The directors and senior officers received direct remuneration totalling $171,161 in the year ended November 30, 1968 (1967—$139,004). No directors' fees are paid as such.

5. EVENTS SUBSEQUENT TO NOVEMBER 30, 1968:

By supplementary letters patent dated December 4, 1968 the authorized capital of the company was increased by the creation of 618,891 3% non-cumulative redeemable non-voting Class A preference shares with a par value of 80 cents each.

On December 3, 1968 the company elected to create $495,113 of tax-paid undistributed income by paying tax on $582,486 of retained earnings as permitted under the Income Tax Act (Canada).

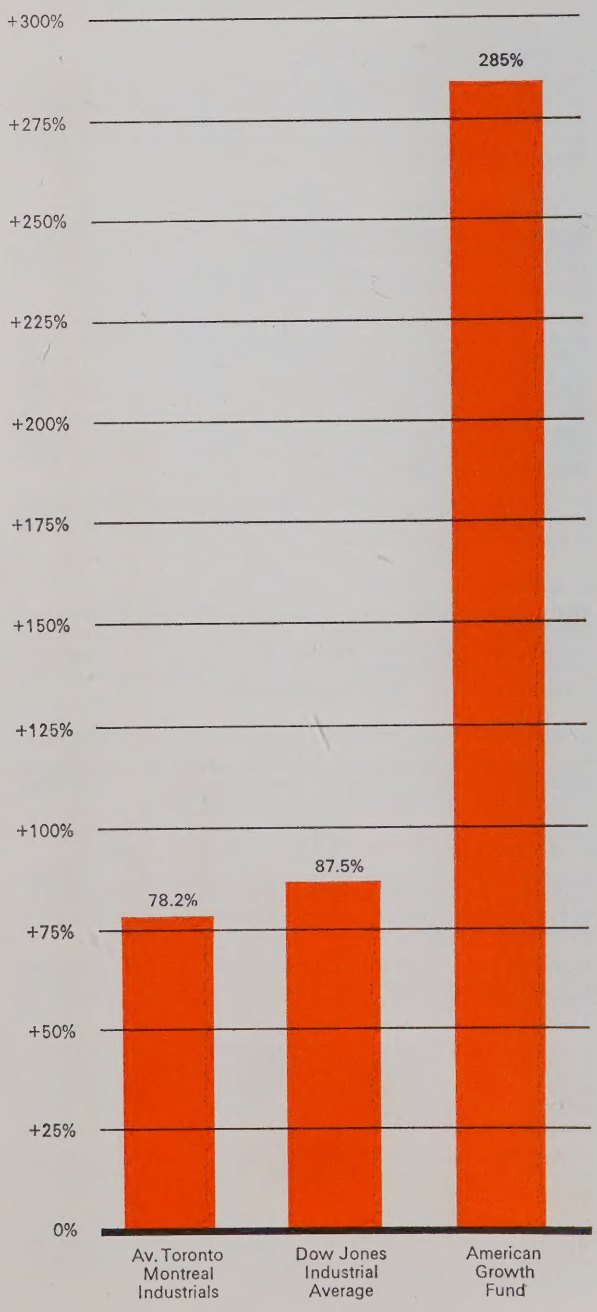
On December 9, 1968 there was declared out of tax-paid undistributed income a stock dividend of the 618,891 Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of one such Class A share for each Class B and common share held.

On December 23, 1968 the company redeemed at their par value all of the Class A shares outstanding at that date resulting in a payment of $495,113.

On January 7, 1969 the company granted to two officers options to purchase 4,000 Class B non-voting participating preference shares at a price of $50.50 per share. These options expire on December 31, 1978.

PERFORMANCE RECORD OF OUR MAJOR FUND AMERICAN GROWTH FUND LIMITED

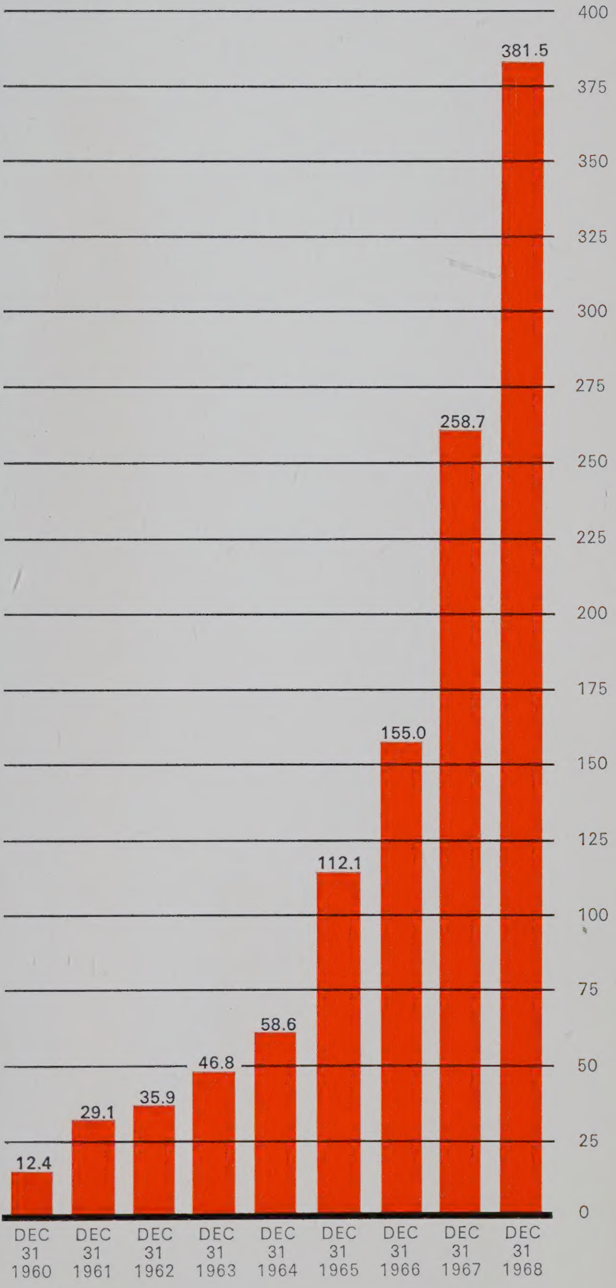
From Inception June 30, 1957 to December 31, 1968



GROWTH IN TOTAL ASSETS UNDER MANAGEMENT

To December 31, 1968

IN MILLIONS OF DOLLARS



IMPOSSIBLE DREAMS
DO
COME TRUE

Throughout history mankind has been faced with the awful uncertainty of the future. This creates the syndrome of pessimism which stands like a scarecrow in the fields of opportunity, frightening away the timid souls and leaving the feast of progress more bountiful for the courageous.

Dreams are the fibres that become the fabric of tomorrow. The problem lies in our inability to believe in their fulfilment.

Over three-quarters of a century ago, Jules Verne conjured up dreams of rockets to the moon. Yet as late as the 1940's, Britain's leading scientists ruled out the possibility of manned supersonic flight. Just recently, we witnessed the impossible dream come true as Apollo 8 carried three astronauts to the moon and back.

In 1937, Lord Rutherford, the father of nuclear energy, stated that the outlook for gaining any useful energy from the splitting of atoms was bleak. Just eight years later, the exploding of 3 atomic bombs changed the concept of energy completely.

The flagman walking in front of the early motor car was far removed from the early dreams of today's high-speed expressways. And in our opinion, the dreams of today are not only possible but represent at best a limited vision of the changes that lie ahead in a better world of tomorrow.

Our endeavours, on behalf of our shareholders, are motivated by this philosophy. Throughout every facet of the Company, we are pledged to remove the scarecrows and thus provide profitable investment opportunities for the public we serve.